

MEMO

DATE: November 2, 2006
TO: Energy and Environment Committee
FROM: Jennifer Brost Sarnecki, Associate Planner, (213) 236-1829,
sarnecki@scag.ca.gov
SUBJECT: North Baja Pipeline Expansion Project

SUMMARY:

Representatives from TransCanada will present information on the proposed North Baja Expansion Project.

BACKGROUND:

The Federal Energy Regulatory Commission (FERC) and the California State Lands Commission (CSLC) will release the Draft Environmental Impact Statement and the Draft Environmental Impact Report for the North Baja Pipeline Expansion Project.

The North Baja Project team of Henry Morse and Kathy Russeth will answer any questions about the project and will ask for support.

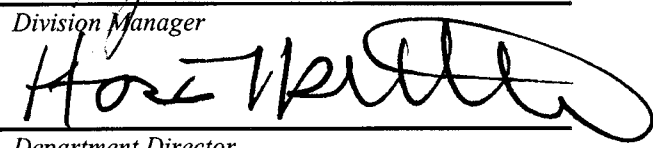
The North Baja Project team claims the pipeline expansion project will:

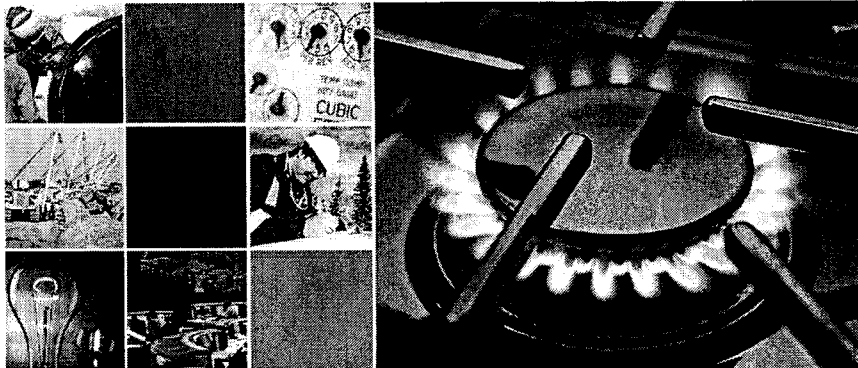
- Bring a new source of price-competitive natural gas to Southern California, including the Imperial Valley
- Help replace existing sources of natural gas that are currently declining and help to assure the continued availability of natural gas to Imperial County and all of Southern California
- Enable the utility to increase its generating capacity with a clean burning fuel and provide an alternate way to get natural gas to the Imperial Irrigation District
- Increase the gas transportation capability into southern Imperial County, providing the opportunity for new large gas consuming businesses to locate there and bring new jobs to the Imperial Valley
- Help improve the air quality in the region

Reviewed
by:


Division Manager

Affirmed
by:


Department Director



North Baja Pipeline Expansion

Bringing a New Supply of Clean Burning Natural Gas
To Imperial County & Southern California

Southern California Association Of Governments

Energy Committee

November 2, 2006

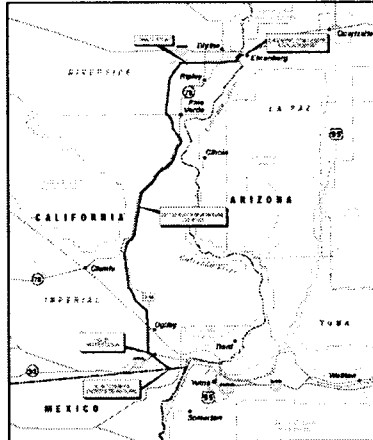


Goals for Today

- To provide some specific information about North Baja Pipeline (NBP), as it exists and its proposed expansion;
- To talk about Liquefied Natural Gas (LNG), what it is, and how LNG and NBP fit in the natural gas supply picture for southern California;
- To provide a brief summary of the recently issued Draft Environmental Impact Statement/ Report;
- To explain the benefits of the NBP expansion project to Southern California;
- To solicit the support of the Southern California Association of Governments Energy Committee for the NBP expansion project.

North Baja Pipeline History

- Ultimately owned by TransCanada, a major energy company in North America
- First line went into service in September 2002
- Begins in Ehrenberg, AZ, crosses under the Colorado River, turns south through Riverside County and crosses Imperial County at its eastern edge to the border where it meets Sempra's pipeline



3 TransCanada October 12, 2006



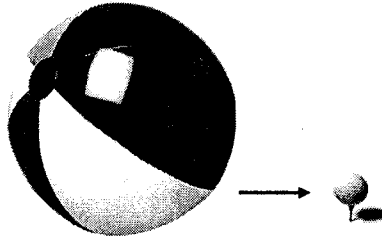
Safety

- Gas Transmission Northwest (GTN), which TransCanada purchased last year, has a 45-year history of safe pipeline operation on its dual 612-mile interstate mainline;
- GTN built the initial U.S. portion of the North Baja Pipeline;
- North Baja meets or exceeds all federal standards for design, construction, operations, maintenance, inspections, operator training, integrity, first responder training and landowner communication; and
- Any additions NBP makes to its system will also meet or exceed those same standards

4 TransCanada October 12, 2006



Natural Gas Liquefaction



Liquefying natural gas:

- Super-chilling it to -260°F
- Reduces volume of gas 620 times
- Comparable to shrinking a 14-inch beach ball down to a golf ball

5 TransCanada October 12, 2006



Typical LNG Project Components and Costs



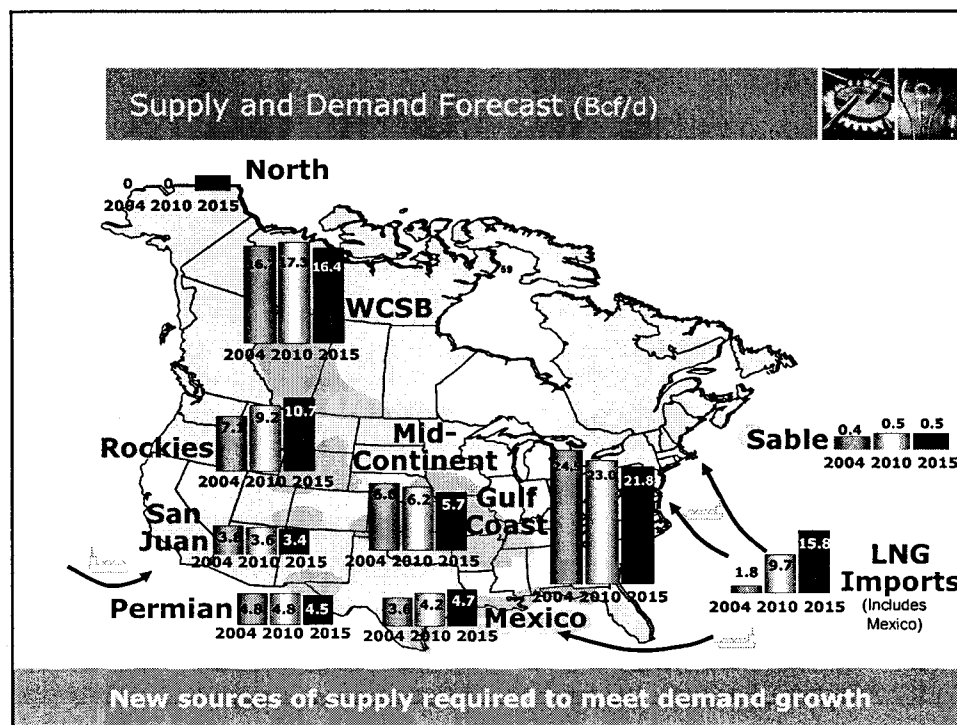
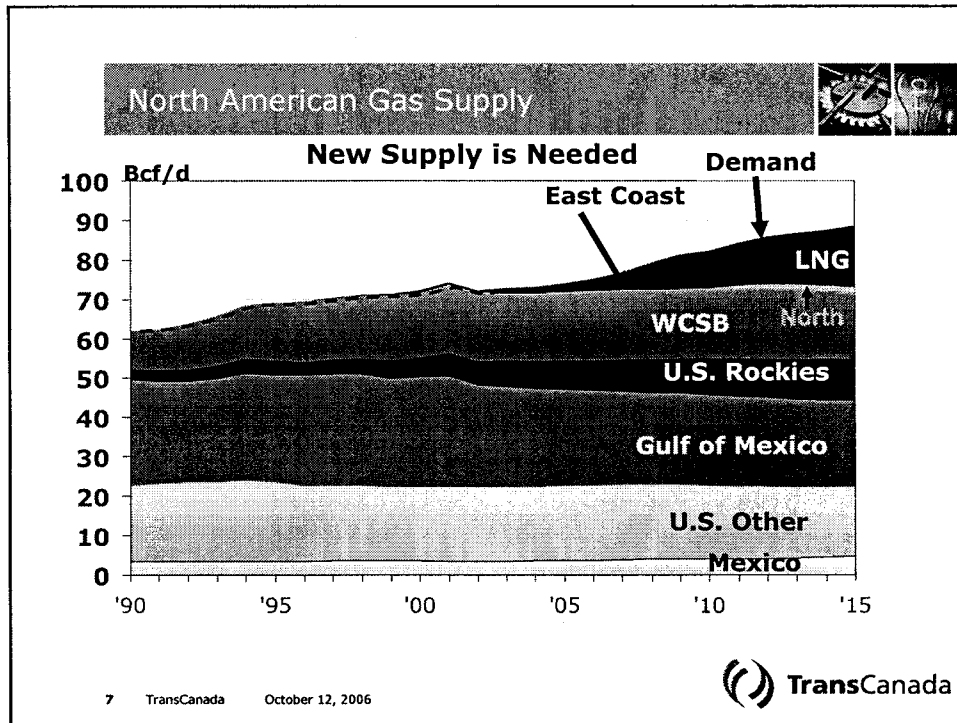
Exploration & Production	Liquefaction	Shipping	Storage & Regasification
\$0.5 - \$1.5 Billion	\$1 - \$3 Billion	\$0.4 - \$2 Billion	\$0.5 - \$1.5 Billion

Total: \$3.7 - \$7.8 billion

Sources: BP, ALNG, CMS 2004 & EIA 2005

6 TransCanada October 12, 2006



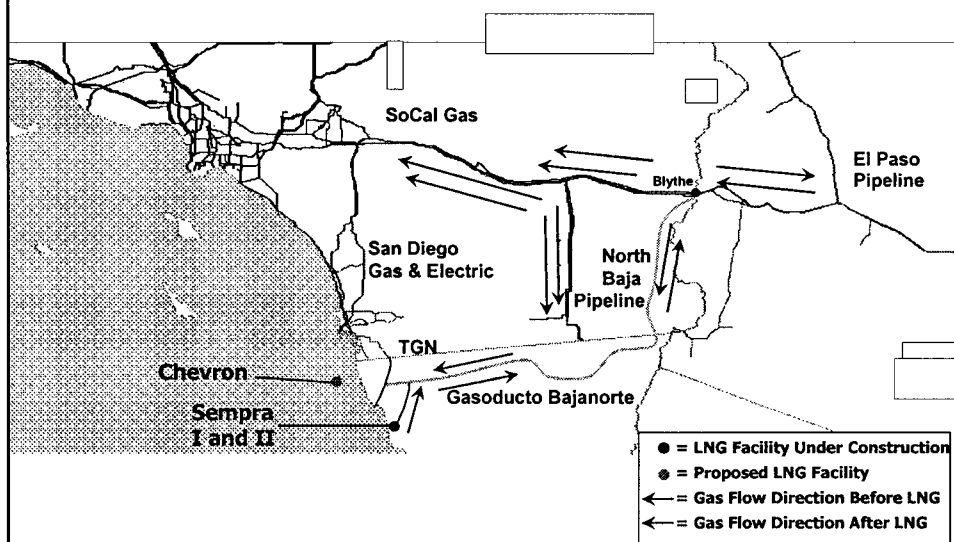


Why Expand NBP Now?



- A Liquefied Natural Gas (LNG) terminal in Baja California, Mexico is under construction and will be completed in 2007
- LNG from across the Pacific will start to be delivered in 2008, transported across the Pacific in ships that are like giant thermos bottles
- At the North American terminal on the coast of Baja California, it will be stored, re-gasified, and shipped via pipeline east and north to markets in southern California.

Impact of LNG Terminals on Gas Flows in Southern California & Baja California



Project Components



- Modify existing NBP pipeline to allow gas to flow into California. To be completed by late 2007. Sufficient to serve the terminal currently under construction. Also construct a short pipeline segment to connect to Southern California Gas Company.
- Construct a lateral to the IID El Centro Generating Station. To be completed by mid 2009.
- Construct a "loop" of the entire NBP sufficient to transport the gas coming from an expanded Sempra terminal and/ or the Chevron terminal. To be completed by late 2009 or 2010, consistent with the completion of the terminal additions.

Regulatory Process



- Two lead agencies:
 - Federal Energy Regulatory Commission (FERC)
 - California State Lands Commission
- One combined environmental document meets the requirements of:
 - National Environmental Policy Act
 - Environmental Impact Statement (EIS)
 - California Environmental Quality Act
 - Environmental Impact Report (EIR)
- Draft EIS/EIR just issued. Public comment to take place until December 28, 2006

Conclusions of the Draft Environmental Impact Statement/ Report



- If the NBP project were not built, customers in the southwestern United States would likely have fewer and potentially more expensive options for obtaining natural gas supplies.
- Denying NBP's application could force potential natural gas customers to seek regulatory approval to use other sources of energy. While renewable energy programs can contribute as an energy source for electricity, they cannot at this time reliably replace the need for natural gas or provide sufficient energy to keep pace with demand.
- None of the alternatives reviewed could meet the NBP project objectives in the time frame, and each alternative has its own significant environmental impacts that could be greater than those associated with the NBP project.

Conclusions of the Draft Environmental Impact Statement/ Report



- The only species likely to be adversely impacted (that cannot be reduced to less than significant levels) are the Peirson's milk-vetch, the desert tortoise and the flat tailed horned lizard.
- Approval of the Project would require a Statement of Overriding Consideration under CEQA for the unavoidable impacts on these three species.
- The Agency Staffs conclude that the Project would result in limited unmitigated adverse environmental impacts, and consider these to be acceptable.
- The Agency Staffs conclude that if the Project is constructed and operated in accordance with applicable laws and regulations, and the required mitigation, it would be an environmentally acceptable action.

How the Expanded Pipeline will help Southern California



- It will provide a new source of natural gas to the region to replace traditional sources that are in decline
- By competing with traditional sources, it will provide a moderating impact on the cost of gas
- It will improve reliability of supply in the region by providing an alternative path to bring a new supply into the region
- It will provide additional property tax revenue to the counties where the facilities are located.
 - Current NBP property taxes in Riverside County and Imperial County are approximately \$1.1 million per year
 - This could grow to as much as \$4.4 million per year

What can we conclude?



- LNG is coming to the coast of Baja California
- NBP is a primary way to get regassified LNG into southern California
- The NBP expansion project provides benefits to all southern Californians
- The environmental impacts of the project are very limited, and the Agency Staffs preparing the Draft Environmental Impact Statement/Report conclude that the Project would be an Environmentally Acceptable Action